innovationpei

Start. Grow. Innovate.

Annual Report 2011-2012

Innovation PEI

Business Development and Integration

Export Channel Development

Prospecting and Innovation Programs

Lending Services

Strategic Initiatives and Properties

Atlantic Technology Centre

BIO FOOD TECH

innovationpei

Start. Grow. Innovate.

Table of Contents

Board of Directors 4

Business Development and Integration 5

Export Channel Development 6

Prospecting and Innovation Programs 7

Lending Services 9

Strategic Initiatives and Properties 10

Atlantic Technology Centre 11

Food Technology Centre / BIO|FOOD|TECH 12

innovationpei
Start. Grow. Innovate.

Message from Chief Executive Officer

Honourable Allen Roach
Minister of Innovation and Advanced Learning
PO Box 2000
Charlottetown, PE
C1A 7N8

Dear Minister Roach,
Please accept this Innovation PEI annual report for the fiscal year ending March 31, 2012.

Taking direction from your Department and Cabinet, Innovation PEI is the lead economic development agency for the Province. Innovation PEI seeks private sector guidance, recommendations and support from its Board of Directors. The Board consists of business leaders from across the province that represent a diverse range of sectors and business interests.

Innovation PEI is committed to growing opportunities for employment and incremental wealth creation for the province. Highlights from this fiscal year include:

- $24,749,056 was approved to support 783 projects with total budgets of $223,120,963
- Participation of over six hundred small business owners/managers in forty-four training workshops and two forums delivered by the Profit Learn Program, in seven communities across Prince Edward Island
- Organized and supported trade delegations to new England, New York region, Atlanta, Southeastern United States, Florida, Western United States, Caribbean, and China
- Attracted eight new investments that are forecast to create 401 new positions in the strategic sectors
- Supported the growth of eleven local companies in the strategic sectors with 130 new positions forecast
- Supported three Pilot & Discovery Fund projects and eight Development & Commercialization Fund projects
- Total Lending Services portfolio of $27.5 million outstanding to 93 client accounts at year end
- Growth of Island Investment Development Inc.'s loan portfolio to $70.1 million in new loans
- Completed construction of the light manufacturing facility at the BioCommons Research Park
- Celebrated the tenth anniversary of the opening of the Atlantic Technology Centre
- Completed rebranding and renovations of BIO|FOOD|TECH and added bioscience technology services

I would like to thank our Board for their invaluable guidance, our employees for their hard work and dedication and the Department and our sister agencies for all their support and partnership as we maintain and grow Island businesses while forging new paths to attract incremental business to our Island.

Respectively submitted,

Cheryl Paynter, CA
Chief Executive Officer
Innovation PEI

Board of Directors

Innovation PEI

- Brian Thompson, Chairman
- Dr. Brian McMillan, Director
- Dr. Alaa Abd-El-Aziz, Director
- Carl Brothers, Director
- Linda Duncan, Director
- Kevin Murphy, Director
- Duncan Shaw, Director
- Melissa MacEachern, Deputy Minister, Department of Innovation and Advanced Learning
- Cheryl Paynter, Secretary/Treasurer to the Board, CEO, Innovation PEI

Atlantic Technology Centre

- Melissa MacEachern, Chairman, Deputy Minister, Department of Innovation and Advanced Learning
- Shannon Burke, Treasurer
- Neil Stewart, Secretary

Business Development and Integration

Supporting small and mid-sized enterprises (SMEs) continues to be a high priority for Innovation PEI, as the majority of businesses established in Prince Edward Island are SMEs. Innovation PEI supports small business and encourages entrepreneurship through cost shared financial assistance for planning, capital acquisitions, market development, technology, training, and innovation.

The Business Development & Integration Division supports the long term viability of Island companies by providing information and assistance to new and existing local businesses in Prince Edward Island. The group assists entrepreneurs and businesses with start up, expansion and diversification by providing business guidance and counseling, financial assistance, entrepreneur education, and management development.

The Division delivers a series of incentive programs targeted at a variety of industry sectors. Four hundred projects were directly funded under a variety of small business support programs delivered by the Business Development & Integration Division during the 2011-2012 fiscal year. These projects received assistance from Innovation PEI totaling $3.8 million and resulted in the leveraging of an additional $18.8 million investment from other sources.

Highlights

- Innovation PEI staff act as the primary contact for Islanders seeking business information, financing, mentoring, or business counseling.
- Four hundred projects received assistance in the fiscal year, leveraging an investment of over $22.6 million into Island companies.
- Over six hundred small business owners/managers participated in 44 training workshops and two forums in seven communities across Prince Edward Island under the Profit Learn Program.
- The Business Development & Integration Division supports youth business program delivery, including the Junior Achievement program, the Young Millionaires program, University Student Business Planning contest, and Advancing Canadian Entrepreneurship (ACE) PEI. Support is provided both financially and through staff involvement, including mentorship and provision of expertise.
- Staff hosted approximately 3000 in person meetings during the 2011-2012 fiscal year. Staff also estimates an additional 3,200 plus phone calls and countless email correspondence from Islanders regarding small business development.
- The Self Employment program delivered by Division staff on behalf of Skills PEI assisted 72 individuals to start new businesses.
- The position of Business Integration Officer was created and staffed to provide navigation and business counseling services to newcomers to PEI who wish to start, purchase or invest in a PEI business.

Trade & Marketing

The Trade and Marketing section of the Business Development & Integration Division assists Prince Edward Island companies to become export ready and increase revenues generated from export sales. This section provides market-specific information, training and support for market-entry activities, and represents the Province on management committees for regional agreements.

Staff works in partnership with the other divisions of Innovation PEI, federal representatives from the Atlantic Canada Opportunities Agency and the respective provincial and federal departments. The committees the section participates in include the Atlantic Canada Food Export Partnership and the International Business Development Agreement (IBDA). Staff also provides provincial representation on various working groups, including those for bioscience, aerospace, advanced manufacturing, renewable energy, information technology, and food/seafood.

Trade Missions

The Trade and Marketing Section leads a number of targeted trade missions to markets that are selected based on good export opportunities. These missions and shows provide a cost-effective method for companies to network and gain entry into a market, gather important market information and learn about opportunities and obstacles that may exist. This past year delegates traveled to geographic markets in the United States, Central America, Europe, and Asia.

Staff provides counseling support to Island small businesses in the area of export market development. Projects range from individualized training on export security to competitive intelligence to market entry. This support leads to increased sales for Island companies as they explore export opportunities in new markets.

Highlights

- Led trade delegations to New England, New York region, Atlanta, Southeastern United States, Florida, Western United States, Caribbean, and China.
- Provided support to PEI exporters to showcase their products, make valuable contacts, and increase their knowledge of market opportunities and competitors at industry events. Exporters participated in the Atlantic Crafts Trade Show in Halifax, the Boston Seafood Show, the European Seafood Show in Brussels, the China Seafood Show, and the Conexmar Frozen Food Show in Spain.
- Hosted market information sessions where exporters were introduced to potential business opportunities in various regions of the United States, China and the Caribbean.
- Delivered export focused educational workshops to build capacity within Prince Edward Island exporters.
- Provided targeted market support, through the Export Help Program, to established PEI exporters.

Export Channel Development

In March 2012, the Export Channel Development Division was created. The focus of this new Division is to facilitate industry partnerships and the development of new markets for Prince Edward Island products and services. At the same time, the office of the PEI Culinary Alliance moved from the Department of Tourism and Culture to the Export Channel Development section of Innovation PEI.

Prospecting and Innovation Programs

The Prospecting & Innovation Programs Division is responsible for attracting outside business investment to Prince Edward Island; managing programs focused on strengthening the strategic, high growth potential sectors of bioscience, information technology, aerospace, and renewable energy; and delivering programs to companies and researchers developing innovative products and services. The objectives of the Division are to create employment opportunities through private sector growth, generate wealth through business expansion, and reward and encourage innovation through new product development and research.

The prospecting function of the Division performs activities to identify, evaluate and secure business investment leads that result in business formations and expansions that strengthen our economy and increase employment opportunities for Islanders. The program management function of the Division participates in the creation, and is responsible for ongoing administration, of policies, programs and projects.

The Division works closely with the Atlantic Canada Opportunities Agency and regional business development corporations, and other organizations whose primary function may not be economic development (including Holland College, University of Prince Edward Island, and other education and research institutions). Through this working collaboration between economic development organizations, a marketing partnership, Invest PEI, has been developed. Invest PEI uses a team approach to increase awareness of Prince Edward Island as an investment location with consistent messaging and branding. It enables provincial, federal and municipal organizations to effectively conduct prospecting activities by providing potential investors with a "one-stop shop".

Prospecting

The Division was quite successful in the attraction of new businesses to Prince Edward Island in the 2011-12 fiscal year. The Division attracted eight new investments that are estimated to create 401 new positions in the strategic sectors. In addition, the Division supported the growth of eleven local companies that are estimated to employ 130 new positions.

Successful prospecting activities in this fiscal year included the attraction of Accreon, which will create up to twenty new jobs in the Information Technology sector. Accreon provides professional services and IT development services to both private and public organizations across North America and Europe. Accreon specializes in application architecture, managed services, software development, system integration, and technology modernization for the sector verticals such as eHealth, transportation, electrical (smart metering), and financial services. Accreon expanded to Charlottetown in August of 2011 with plans to hire twenty developers over a three year period.

Within the Bioscience sector, the Division attracted OmniActives Health Technologies (Canada), a supplier of a range of innovative, scientifically validated, active natural ingredients for healthcare (areas of disease focus are eye health, obesity, and joint and brain health), food and personal care applications. A year of incubation at the National Research Council, Charlottetown's Industrial Partnership Facility, provided OmniActives with access to state of the art research equipment and world class scientists in the field of natural health products. The company then graduated to their own 3,000 sq. ft. space in the BioCommons Manufacturing facility. Their new research & development facility in Prince Edward Island serves as a basis for a North American innovation and discovery based platform.

Local companies also expanded in this fiscal year. Bight Games, an independent video game developer for mobile, relocated to Prince Edward Island in 2008 and setup in ATC's LaunchPad with four employees. The company grew to 22 P.E.I. employees within three years. In 2011, Bight's success reached new levels as *Trade Nations*, an original IP created for iOS and later Facebook, reached the top charts in Apple's App Store. Bight's success was noticed and Electronic Arts Mobile acquired the company in August of that year. Bight's biggest accomplishment to date has been *The Simpson's Tapped Out*, a game for iOS and Android launched in March 2012. The game reached a record high of 3.2 million daily active users and contributed to Electronic Arts remaining the #1 publisher for iOS. Today the company has 35 employees working on a new mobile title that they predict will have the same type of success.

Innovation Programs

The Innovation Programs support the advancement of the strategic, potential high growth sectors of Prince Edward Island's economy: aerospace, bioscience (including agriculture and fisheries), information technology, and renewable energy. The programs are delivered by the Prospecting & Innovation Programs Division and provide grants to PEI businesses and researchers that are developing innovative products, services or processes. All of the Innovation programs are peer reviewed by a committee of representatives from the private and public sectors.

The *Premier's Medal for Innovation* is offered to an industry or institutional researcher who has demonstrated excellence in their field of expertise, nationally or internationally; created significant economic activity through their research activities; and made significant research contributions to a strategic sector. David Perry, Director of Software Development with RMIS Imaging Services, a subsidiary of RadNet Managed Imaging Services Inc., was the recipient of the 2011-12 Premier's Medal for Innovation for his leadership in growing the e-health sector on Prince Edward Island. Dave, through RMIS, will develop a system that will integrate the systems used in medical imaging and electronic patient health records. RMIS has been working out of the Summerside area since 2010, and this investment will assist in the development costs of RMIS' interoperability lab in the Holman e-health centre of excellence.

The *Pilot and Discovery Fund* is designed to support early stage proof-of-concept projects that will lead to the development of new products, services or processes in the strategic sectors. Innovation PEI offered funding to three projects in the 2011-12 fiscal year, making a total investment of $75,000.

The *Development and Commercialization Fund* provides support to organizations during the discovery and development phases of the project cycle, with commercialization expected in the near term. The peer review committee recommended support for eight of the twenty-one submitted applications. This investment totalled $746,000 and leveraged $7.2 million in project expenditures.

The *Graduate and Post-Doctoral Fellowship Program* is designed to support and develop highly skilled researchers in the strategic sectors. This support allows them to gain research experience while undertaking their graduate or post-doctoral programs. A total of twelve students and fellows were supported in this round, four masters and four PhD students along with three post doctoral fellows at UPEI. This year was the first time an award was provided to an industrial post doctoral fellow; this individual is working for Aqua Bounty Canada.

The *Premier's Innovation Speaker Series* supports local leaders who have identified world experts to deliver public lectures and seminar presentations and take part in roundtable or panel discussions on Prince Edward Island. In the 2011-12 fiscal year, two projects were supported.

Lending Services

The Lending Services Division provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses to create, maintain or expand business opportunities that will result in wealth and job creation for the Province.

Our lending and investment activities are focused on manufacturers, processors and service providers in the priority development sectors, with emphasis on businesses involved in exporting to domestic and international markets, import replacement and value-added processing.

As a developmental lender, the Division seeks innovative and generally higher risk projects than conventional lenders. By utilizing a non-formula approach to lending, the Division strives to maximize development opportunities for the province while balancing financial risk of the project with the projected economic return.

The Division prides itself in providing clients with innovative financial solutions that generally involve multiple stakeholders, including conventional lenders and other business development agencies. This is achieved by using a variety of financial products, such as demand loans, revolving lines of credit, term loans, equity investments and loan guarantees to meet the client's specific financing needs.

As a complementary lender to that of conventional lenders, the Division plays a unique and important role in the lending marketplace. By developing partnerships with conventional lenders and other business development agencies, the Division assists its clients to leverage additional financing and other resources required to enable the projects to proceed.

Also, as part of its non-conventional approach to commercial lending, the Division can act as a financial intermediary, utilizing staff expertise in banking and accounting to assist clients to assemble financial packages for their projects with other lenders and government agencies.

Highlights

- Provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses. In fiscal 2012, the portfolio totaled $27.5 million outstanding to a total of 93 client accounts.

- Manages the loan portfolio of Island Investment Development Inc. (IIDI), a separate Crown Corporation. IIDI invests federal immigrant funds through low interest term financing to Prince Edward Island businesses where there will be significant economic benefit to the Province. During the fiscal year, IIDI's loan portfolio exhibited growth with $70.1 million in new loans. Overall, the total number of loan accounts at fiscal year-end increased by 8.0% to 94, while the portfolio value (loans outstanding) grew by 23.4% to $159.1 million in comparison to the prior fiscal year.

- Manages the Winter Production Financing Program, which provides loans to new and expanding craft and giftware manufacturers to increase product inventory during the winter months to meet peak sales periods. The portfolio has 18 client accounts totaling $170,445.

Strategic Initiatives and Properties

The Strategic Initiatives and Properties Division is responsible for all real estate held by Innovation PEI and its subsidiary companies. The portfolio includes properties and business parks as well as the agency's corporate offices located at 94 Euston Street in Charlottetown. The Division also owns and manages the Atlantic Technology Centre.

PEI Business Parks

Innovation PEI has established a network of business parks that offers new and expanding businesses a comprehensive range of site locations and distinct competitive advantages. This portfolio includes rental properties and vacant land at these business parks located across Prince Edward Island:

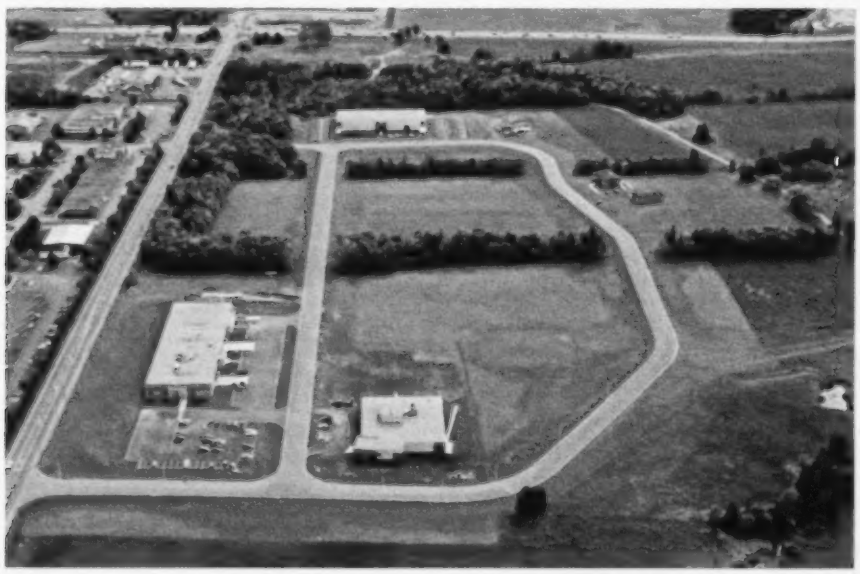
- Gateway Village
- Pooles Corner Business Park
- Souris Food Park
- Summerside Business Park
- West Prince Business Park
- West Royalty Business Park

Land is also available for development purposes at the Confederation Bridge Fabrication Yard in Borden-Carleton.

PEI BioCommons Research Park

Building on the success of Prince Edward Island's bioscience sector, the BioCommons Park will become a platform for companies and research institutions to accelerate economic prosperity by investing in research and development. This is a key element in the Government of Prince Edward Island's innovation and economic development strategy. Construction of the infrastructure (road, sewer and water) has been completed for the BioCommons Research Park.

Our province is gaining an enviable reputation as a national centre of excellence in natural products development for both animal and human health applications. The BioCommons Park is a critical piece of infrastructure that allows for the next logical stage of expansion to facilitate the continued growth of the sector. The Strategic Initiatives and Properties Division will continue to work on this initiative with industry and other government departments.



Atlantic Technology Centre

The Atlantic Technology Centre (ATC) is a multi-use, multi-tenant facility that is focused on creating a professional services environment for private and public sector tenants. The ATC entered its tenth year of operation in September of 2011.

By acting as a foundation for economic development and job creation, ATC offers corporate office space, communications and technology infrastructure, and meeting rooms and training facilities.

Services and Amenities

ATC is equipped with the technology necessary for full connectivity within a prosperous business environment.

Clients have access to meeting rooms of various sizes and technical fit-up: a 24 seat computer training lab, conference suite, and a 50 seat interactive theatre set-up as a multi media, interactive, or presentation theatre.

Tenants have access to first class infrastructure and facilities for a wide variety of events such as press conferences, seminars and large scale information sessions.

Special purpose meeting facilities offer clients an alternative to typical meeting locations.

The training lab and meeting rooms at ATC are regularly used by a wide variety of private and public sector organizations. These facilities provide a professional and convenient setting for conferences, information sessions and training seminars.

Video conferencing is available for one-on-one job interviews or large group information sessions.

The ATC Data Centre, the only co-location facility of its kind in the province, is located in the lower level. It offers 2500 square feet of secure climate controlled space. The Data Centre houses a mix of both on-Island and off-Island clients.

Food Technology Centre / BIO|FOOD|TECH

BIO|FOOD|TECH provides professional technical services to the food and bio industries through three integrated business divisions: Food Technology, Bioscience Technology, and Lab Services. The new division, Bioscience Technology, occupies two pilot plants and two labs at BIO|FOOD|TECH and provides technical support to bioprocessing industry clients including fermentation, extraction technology and downstream processing.

Since the Food Technology Centre began operating in 1987, people have informally referred to it as FOOD TECH. In August 2011, the Prince Edward Island Food Technology Centre was rebranded as BIO|FOOD|TECH to better represent the services offered. The Centre continues to offer all the food technology services that they have in the past and have added bioscience technology services.

The building has been completely renovated and includes an enlarged food safety lab, an updated food product development lab and a state-of-the-art sensory analysis lab. The food safety lab provides accredited microbiological analysis services to the province's food processors including all the companies who export product to USA, Asia and Europe. The food product development lab provides the applied scientific and technical skills to develop desirable new products and ensure their safety and shelf-life. The sensory lab ensures the acceptability and shelf-life of new products.

All the work done at BIO|FOOD|TECH is for industry clients as project contracts or laboratory analysis service contracts. These contracts include product and process development, troubleshooting and industry workshops, and earn revenue to supplement the operating grant provided by the Province of Prince Edward Island. Total revenue for 2011-2012 was $1,007,163. The operating grant from the Province of Prince Edward Island was $408,300.

BIO|FOOD|TECH completed eighteen project contracts in the 2011-2012 fiscal year. There were 26 signed project contracts in progress at the end of the fiscal year, and there were another fifteen project contracts proposed or developing at year-end. In addition, BIO|FOOD|TECH completed 23 project contracts funded through the NRC-IRAP Contribution Agreement.

BIO|FOOD|TECH's microbiology laboratory provides essential food safety support and provides certificates of analysis on value-added food products for international shipments. Since the Maple Leaf Foods deadly Listeria outbreak in 2008, BIO|FOOD|TECH has experienced a significant increase in demand for food safety support from the food industry in PEI. BIO|FOOD|TECH provided lab services to 70 clients in 2011-2012 and analyzed 9,716 samples.

Since November 2006, BIO|FOOD|TECH has been distributing a monthly e-newsletter to more than 2,500 clients, key contacts and selected government contacts to promote its clients' successes and serve as a marketing tool. Case studies from the newsletters illustrate the type of work done and

archives of these are available on BIO|FOOD|TECH's website (biofoodtech.ca).

Accreditations

BIO|FOOD|TECH is a registered ISO 9001:2008 company (ISO registered since 1997), has Standards Council of Canada Accreditation for the microbiology lab, is a Registered Food Processing Plant with the Canadian Food Inspection Agency, and can be contracted by clients for Certified Organic Processing.

PEI Product Development Fund

The PEI Product Development Fund assists Prince Edward Island companies to access professional technical assistance through the services of BIO|FOOD|TECH. This funding is applied to the development, technology transfer and testing of new and improved products and processes, and other technical development-related activities. The Fund contributes 50% of project costs to a maximum contribution of $50,000.

The Fund is available to Prince Edward Island businesses that meet the eligibility criteria of the Fund on approved activities. Activities which seek to enhance the value-added component of production have been given first priority and projects expected to have a positive impact on Prince Edward Island businesses and their growth by displacing imported products and creating export opportunities. The Service Delivery Standard for approval of PEI Product Development Fund is 24 hours.

In Fiscal 2011-2012, the Fund committed $421,447 to assist thirty companies with a total of 41 projects.

Funding Agreements

BIO|FOOD|TECH has a Contribution Agreement with the National Research Council IRAP Program. This enables BIO|FOOD|TECH to provide fast response to clients as approval to proceed with work on projects is usually obtained the same day as it is requested. This allows BIO|FOOD|TECH to begin work for the clients as soon as possible. The Service Delivery Standard for approval of NRC Contribution Agreement funding is 24 hours.

BIO|FOOD|TECH has a funding agreement with the Canadian Dairy Commission (CDC) that allows food processors who use milk ingredients to access CDC funding. The programs give processors an opportunity for subsidized consultation and development work at BIO|FOOD|TECH. The Service Delivery Standard of CDC funding is seven days.

Innovation PEI

Consolidated Financial Statements
March 31, 2012

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

Chartered Accountants & Business Advisors
Prince Edward Place
80 Water Street
PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
Telephone (902) 368-3100
Fax (902) 568-5074
www.acgca.ca

August 13, 2012

Auditor's Report

To the Minister of Innovation and Advanced Learning

We have audited the accompanying consolidated financial statements of **Innovation PEI**, which comprise the consolidated statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of operations, accumulated surplus, changes in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Innovation PEI** as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, changes in its net debt and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

ArsenaultBestCameronEllis

Chartered Accountants

Innovation PEI

Consolidated Statement of Financial Position

As at March 31, 2012

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Assets			
Financial assets			
Cash	5,970,913	5,475,160	4,350,721
Accounts receivable (notes 3 and 13)	1,782,981	2,218,086	8,789,009
Advances to Biocommons Development Inc.	998,544	1,938,348	-
Loans receivable (note 4)	14,495,474	17,268,999	25,699,548
Due from Province of Prince Edward Island (note 5)	34,315,667	29,992,867	31,421,167
Investment in private companies (note 6)	359,999	359,999	360,002
	57,923,578	57,253,459	70,620,447
Liabilities			
Bank advances	-	610,945	94,501
Short-term notes payable (note 7)	12,618,621	12,618,621	20,618,621
Accounts payable and accrued liabilities (note 13)	29,621,801	25,298,761	30,074,852
Deferred revenue	491,854	2,360,809	2,405,721
Advances from related company (note 13)	2,500,000	2,500,000	2,500,000
Long-term debt (note 8)	25,769,140	28,731,125	32,462,536
	71,001,416	72,120,261	88,156,231
Net debt	(13,077,838)	(14,866,802)	(17,535,784)
Non-financial assets			
Prepaid expenses	62,823	69,453	56,880
Net investment in lease (note 9)	828,030	828,030	785,030
Property holdings (note 8) (Schedules 2 and 3)	26,058,938	27,268,993	28,808,505
Deferred credits (notes 10 and 13)	(8,041,375)	(8,995,556)	(9,820,713)
Capital fund	(60,476)	(960,562)	(1,645,121)
	18,847,940	18,210,358	18,184,581
Accumulated surplus	5,770,102	3,343,556	648,797
Contingent liabilities (note 11)			
Accumulated surplus			
Contributed surplus (note 13)	366,039	366,039	366,039
Surplus	5,404,063	2,977,517	282,758
	5,770,102	3,343,556	648,797

Approved by the Board of Directors

Director

Director

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Statement of Accumulated Surplus

For the year ended March 31, 2012

	2012 $	2011 $
Accumulated surplus as previously stated - Beginning of year	2,959,727	264,968
Prior period adjustment (note 14)	17,790	17,790
Accumulated surplus - as restated	2,977,517	282,758
Annual surplus	2,426,546	2,820,881
	5,404,063	3,103,639
Transfer of subsidiary (note 15)	-	(126,122)
Accumulated surplus - End of year	5,404,063	2,977,517

Innovation PEI

Consolidated Statement of Operations

For the year ended March 31, 2012

	2012 $	2011 $
Revenue		
Grant - Province of Prince Edward Island	26,322,800	27,471,700
Government contributions	2,502,738	-
Property operations (note 13)	3,571,228	3,826,094
Interest on loans receivable	1,308,752	1,419,791
Project revenue	1,007,163	1,097,298
Investment income	45,856	48,993
Gain on sale of property holdings	732,887	1,446,344
	35,491,424	35,310,220
Expenditures (note 13)		
Operating	7,761,106	5,841,988
Property operations	4,026,915	4,290,332
Development programs	17,692,504	20,903,151
Allowance for (recovery of) credit losses and guarantee payments (note 5)	(91,832)	(365,592)
Investment operations	771,780	995,590
Project costs	53,971	49,906
Grants to related companies	2,050,132	-
Amortization - property holdings	1,174,807	1,263,688
Amortization - deferred credits	(374,505)	(489,724)
	33,064,878	32,489,339
Annual surplus	2,426,546	2,820,881

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2012

	2012 $	2011 $
Annual surplus	2,426,546	2,820,881
Acquisition of property holdings	(540,750)	(283,728)
Amortization of property holdings	1,174,807	1,263,688
Gain on sale of property holdings	(732,887)	(1,446,344)
Proceeds on disposal of property holdings	741,000	1,571,032
Change due to property holdings	642,170	1,104,648
Amortization of deferred credits	(374,505)	(489,724)
Increase (decrease) in deferred credits	(11,790)	89,807
	(386,295)	(399,917)
Transfer on wind-up of EISI	-	(116,498)
Change in capital fund	(900,086)	(684,559)
Amortization of net investment in lease	-	(43,000)
Change in prepaid expenses	6,629	(12,573)
Decrease in net debt	1,788,964	2,668,982
Net debt - Beginning of year	(14,866,802)	(17,535,784)
Net debt - End of year	(13,077,838)	(14,866,802)

Innovation PEI

Consolidated Statement of Cash Flows

For the year ended March 31, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Annual surplus	2,426,546	2,820,881
Items not affecting cash		
Amortization - deferred credits	(374,505)	(489,724)
Amortization - property holdings and property and equipment	1,174,807	1,263,688
Increase - net investment in lease	-	(43,000)
Gain on sale of property holdings	(732,887)	(1,446,344)
Decrease in due from the Province of Prince Edward Island - allowance for possible losses	91,832	365,592
	2,585,793	2,471,093
Net change in non-cash working capital items		
Decrease in accounts receivable	435,105	6,570,923
Decrease (increase) in prepaid expenses	6,629	(12,572)
Increase (decrease) in accounts payable and accrued liabilities	4,323,041	(4,776,091)
Decrease in deferred revenue	(1,868,955)	(689)
	5,481,613	4,252,664
Financing activities		
Decrease (increase) in due from Province of P.E.I. - current operations	(4,414,632)	1,062,708
Increase (decrease) in deferred credits - net	(11,790)	89,807
Decrease in short-term notes payable	-	(8,000,000)
Decrease in long-term debt (net)	(2,961,985)	(3,731,411)
Decrease in capital fund	(900,086)	(722,536)
Transfer of EISI equity	-	(126,122)
	(8,288,493)	(11,427,554)
Investing activities		
Transfer of EISI property and equipment - net	-	3,277
Additions to and purchase of property holdings	(540,750)	(283,728)
Proceeds on disposal of property holdings	741,000	1,571,032
Decrease in investment in private companies	-	3
Decrease in loans receivable (net)	2,773,524	8,430,649
Decrease (increase) in due to Biocommons Developments Inc	939,804	(1,938,348)
	3,913,578	7,782,885
Increase in net cash	1,106,698	607,995
Net cash - Beginning of year	4,864,215	4,256,220
Net cash - End of year	5,970,913	4,864,215
Net cash consists of:		
Cash	5,970,913	5,475,160
Bank advances	-	(610,945)
	5,970,913	4,864,215
Supplementary disclosure		
Interest and dividends received	1,065,400	1,393,978
Interest paid	1,662,106	1,829,903

Innovation PEI (the "Corporation") is a Crown corporation established under the Innovation PEI Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Standards Board of The Canadian Institute of Chartered Accountants. The following is a summary of significant accounting policies used in the preparation of these statements.

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Atlantic Technology Centre Inc., P.E.I. Biocommons Inc. and 100417 P.E.I. Inc. all having March 31, 2012 year ends.

b) Cash

Cash is comprised of cash on hand, cash in banks and savings accounts.

c) Accounts receivable

Accounts receivable arise from tenant rents, trade sales, staff advance and Goods and Services Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

d) Loans receivable

Working capital and craft loans are recorded at amortized cost less an allowance for possible losses.

Long-term loans are recorded at amortized cost less an allowance for possible losses.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Allowance for possible losses are calculated on loans receivable as outlined in note 1e).

e) Allowance for possible credit losses

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses and off-statement of financial position items including guarantees. The allowance is deducted from the applicable asset on the statement of financial position, except for guarantees. The allowance for guarantees is included in accounts payable for Entrepreneur Loan Program guarantees.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions total $6,485,546 (2011 - $6,451,816). The accumulated allowances for losses on specific off-balance sheet items total $70,309 (2011 - $106,600) and this is included in accounts payable and accrued liabilities.

The Corporation does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The Corporation reviews its loans portfolio, investments and advances, leased property and property holdings and guarantees on an ongoing basis to assess whether an allowance or write-off is required.

A variety of methods are used to determine the amount expected to be recovered from investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of $4,678,104 (2011 - $4,803,666) includes accumulated allowances for losses which are prudential in nature and cannot be specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

f) **Due from the Province of Prince Edward Island**

i) Current operations

Operating grant – Province of Prince Edward Island is the balance due from the Province for grants received that are less than the annual operating grants allocated to Innovation PEI through the appropriation process.

ii) Allowance for possible credit losses

The annual allowance for (recovery of) possible credit losses expense is recorded as the current year's allowance for possible credit losses expense in the amount "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" in note 5. The "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" is reduced when a write-off is recognized by both Innovation PEI and the Province, with notes payable reduced correspondingly. The allowance for possible credit losses is also reduced by any payment received from the Province on the allowance for possible losses for guarantees.

g) **Investment in private companies**

Investment in private companies, except for three preferred share investments not considered to be concessionary, are recorded at one-half of cost. An expense of 50% is charged to development programs when funds are invested. The remaining cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

The three investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in private companies are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in development programs expense.

It is not practical within constraints of timeliness and cost to determine the fair value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments and advances is based on expected future cash flows.

h) **Programs assistance payable**

Program assistance is expensed as development program expenditures and included in accrued liabilities when approved by the Corporation and accepted by the client except for Federal-Provincial cost shared programs and provincially-funded assistance requiring future performance criteria, which are expensed when the funds are disbursed.

P.E.I. labour rebate commitments that extend beyond two years are deferred. Commitments under this program are expensed in each year of the commitment but only to the extent that performance criteria is met for that particular period.

The PEI Food Products Development Fund is a provincially-funded research assistance program administered by the company. Grants under the program are included in income and a corresponding expense and accrued liability is recorded when the grant is received. The accrued liability is reduced when contributions are made to projects. There is $396,591 (2011 - $539,966) in unexpensed assistance included in accrued liabilities at year end. The company has committed funds to qualifying projects in the amount of $136,591 for the 2013 fiscal year.

i) **Net investment in leases**

The Corporation accumulates costs of constructing assets, that are to be classified as capital leases, as assets under capital lease, and the related grants as deferred credits until the lease term begins. When the lease term begins, the assets under capital lease and deferred credits are removed from the statement of financial position and a net investment in lease recorded. The net investment in leases represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option. For conventional leases, the carrying amount of the lease is the principal amount due from the leasee over the term of the lease, plus any purchase option.

j) **Property holdings and amortization**

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value. Property holdings are amortized using the straight-line method at the following annual rates:

Land improvements	10%
Leasehold improvements	7%
Buildings	14 - 40 years
Equipment	10%, 20%, 100%
Test cell	5%
Computer hardware	33%
Furniture and fixtures	20%
Computer software	100%

A full year's amortization is recorded in the year of acquisition.

Proceeds on the sale of land included in industrial sites is recorded as a reduction in the carrying value of the asset.

ii) Fair value

Fair value for land, buildings and equipment held for resale or under lease purchase options is its property tax assessed value.

Fair value for industrial sites is the expected proceeds on resale and for industrial malls it is the property tax assessed value.

Fair value for the test cell is the net cost to construct the asset supported by a payment under a long-term lease agreement.

Any reduction from cost to estimated realizable value is recorded as a provision for possible losses.

k) **Deferred credits and capital fund**

Innovation PEI and its subsidiaries have adopted the policy that contributions received towards the acquisition of property holdings will be recorded as deferred credits and amortized to earnings on the same basis as the related property holdings are amortized on the basis that the funding was received under the implication that the corporation would be operating the property holdings over its useful life. Contributions received and not spent on capital assets at year end are recorded as capital fund.

l) **Post retirement benefits**

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

m) **Employee pension plan**

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2012.

n) **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized into income in the period in which they arise.

o) **Government assistance**

In 2010, the company received $2,375,000 from the Province of Prince Edward Island to purchase land. This contribution has been recorded as deferred credits. These deferred credits will be reduced in the year that the related parcels of land are sold.

p) **Revenue recognition and deferred revenue**

Grants from the Province of Prince Edward Island and investment income are recorded in the period earned.

Interest on loans receivable is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Revenue from property operations are recorded when collection is reasonably assured and all other significant conditions are met.

Innovation PEI subsidiaries follow the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the statement of financial position date. Unearned revenue is recorded as deferred revenue.

q) **Management estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates. The following are areas in which management makes significant accounting estimates:

- The amount recorded regarding the allowance for possible credit losses is subject to management's assessment of the performance of the company's loans receivable and investments as well as the valuation of the assets placed as security.
- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and
- The revenue recognized from long term projects under the percentage of completion method is based on an assessment of each project based on costs incurred with regard to estimated overall costs of the project.

r) **Financial risk management objectives and policies**

The Corporation's risk management policies are part of the overall management of the Corporation's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the Corporation's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Corporation's exposure.

s) **Standards issued but not yet effective**

As at March 31, 2012, a number of standards had been issued by the Public Sector Accounting Board, which are not effective for these financial statements. Other than the introduction of PS 3450 described below, these changes are not expected to have a material impact on the financial statements.

PS 3450 Financial Instruments addresses classifications and measurement of financial instruments. All financial instruments will be measured at either fair value or amortized cost. A change in the fair value of a financial instrument in the fair value category should be recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. This Section also has increased disclosure requirements with regards to disclosing information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments.

This standard is effective for periods beginning on or after April 1, 2012.

2 First-time adoption of Accounting Standards for Public Sector Accounting Standards

Effective April 1, 2011, the Corporation, in accordance with Canadian Generally Accepted Accounting Principles and the related CICA Handbook, adopted Public Sector Accounting Standards. These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in the summary of significant accounting policies note have been applied in preparing the financial statements for the period ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and in the preparation of an opening public sector accounting standards statement of financial position as at April 1, 2010, which is the Corporation's date of transition.

The Corporation issued financial statements for the year ended March 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting. The adoption of Public Sector Accounting Standards has no impact on the previously reported assets, liabilities and accumulated surplus of the Corporation and, accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, change in net debt and the cash flow statement. Certain of the Corporation's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of Public Sector Accounting Standards.

3 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $118,658 (2011 - $239,552).

4 Loans receivable

					March 31, 2012	March 31, 2011	April 1, 2010
	Total $	Impaired loans included in total $	Allowance for possible losses General $	Allowance for possible losses Specific $	Net $	Net $	Net $
Working capital and craft loans							
Manufacturing and processing	5,749,942	3,244,809	670,021	2,690,070	2,389,851	2,475,348	1,556,151
Tourism	251,119	50,000	20,112	50,000	181,007	98,653	45,000
Small business	1,106,149	111,123	180,089	111,122	814,938	290,416	283,649
Other	183,133	-	18,700	-	164,433	168,170	160,432
	7,290,343	3,405,932	888,922	2,851,192	3,550,229	3,032,587	2,045,232
Long-term loans							
Shipbuilding/ shipping	9,438,569	10,000	942,857	10,000	8,485,712	11,262,855	21,239,997
Manufacturing and processing	5,484,300	1,878,597	2,032,355	1,878,596	1,573,349	1,813,364	1,702,960
Tourism	250,000	-	200,000	-	50,000	50,000	66,522
Small business	1,650,194	267,417	546,685	267,417	836,092	1,105,102	644,837
Other	67,377	-	67,285	-	92	5,091	-
	16,890,440	2,156,014	3,789,182	2,156,013	10,945,245	14,236,412	23,654,316
Total loans receivable	24,180,783	5,561,946	4,678,104	5,007,205	14,495,474	17,268,999	25,699,548

Working capital and craft loans are issued at long-term interest rates and are repayable over terms to a maximum of 7 years with various interest rates ranging from 3% to 9.25%.

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

Long-term loans are issued at long-term interest rates and are repayable over various terms to a maximum of 20 years with interest rates ranging from 3% to 8.5%.

Security for working capital and craft loans consists of promissory notes, land, buildings, inventory and personal guarantees from the borrowers. Security for long-term loans consists of promissory notes, land, building and personal guarantees from the borrowers.

The Corporation has invested 40% (2011 - 47%) of its loan receivable portfolio in the shipbuilding, shipping sector with one group of companies, representing a significant concentration of credit risk in the loans receivable portfolio.

	2012 $	2011 $
Continuity of allowance for possible credit losses		
Allowance for possible credit losses - Beginning of year	9,657,142	9,862,734
Add: Provision (recovery) recorded during the year	28,167	(205,592)
Allowance for possible credit losses - End of year	9,685,309	9,657,142

5 Due from the Province of Prince Edward Island

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Current operations			
Operating grant - Province of Prince Edward Island			
- current year	4,322,800	5,913,000	7,341,300
- prior year	5,913,000	-	-
Operating grant - recovery of previous year's provision	12,916,217	12,824,385	12,458,793
	23,152,017	18,737,385	19,800,093
Allowance for possible credit losses			
Balance - beginning of year	11,255,482	11,621,074	24,079,901
Current year's allowance for possible credit loss expense	(91,832)	(365,592)	(12,458,827)
	11,163,650	11,255,482	11,621,074
Balance - End of year	34,315,667	29,992,867	31,421,167

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

6 Investment in private companies

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Investment in private companies			
Small Business and Venture Capital Equity Program investments	445,529	445,529	445,529
Less: Allowance for possible losses	(445,529)	(445,529)	(445,529)
	-	-	-
56,000 common shares of Slemon Park Corporation at cost	1	1	1
Investment in preferred shares of private corporations	1,392,810	1,512,809	1,672,812
Less: Allowance for possible losses	(1,032,812)	(1,152,811)	(1,312,811)
	359,999	359,999	360,002
	359,999	359,999	360,002

	2012 $	2011 $
Continuity of allowance for possible credit losses		
Allowance for possible credit losses - Beginning of year	1,598,340	1,758,340
Less: Recovery during the year	(119,999)	(160,000)
Allowance for possible credit losses - End of year	1,478,341	1,598,340

7 Short-term notes payable

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Demand note payable to Island Investment Development Inc.	6,998,621	6,998,621	14,998,621
Demand note payable to Province of Prince Edward Island	5,620,000	5,620,000	5,620,000
	12,618,621	12,618,621	20,618,621

During the 2007 year, the Corporation entered into an agreement with Island Investment Development Inc., a provincial Crown corporation, to obtain a $15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2012 is $6,998,621 (2011 - $6,998,621).

Interest on both demand notes is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amounts are repayable on demand.

The demand note to Island Investment Development Inc. is secured by a promissory note for $15,000,000 and a revolving credit agreement. The demand note to Province of Prince Edward Island is unsecured.

Interest paid by Innovation PEI and its subsidiaries are included in the expenditure category to which it relates. Included in expense is interest for 2012 in the amount of $146,039 (2011 - $143,768).

8 Long-term debt

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
4.00% note payable to Island Investment Development Inc.	556,846	556,846	556,846
4.00% note payable to Island Investment Development Inc.	1,430,499	1,430,499	1,430,499
5.33% note payable to Province of Prince Edward Island, repayable in monthly payments including principal and interest of various amounts ranging from $31,062 to $190,104, maturing March 2015	6,013,237	7,964,088	9,856,842
6.62% Bank of Nova Scotia mortgage, repayable $40,333 monthly plus interest, maturing August 2017	7,461,667	7,945,667	8,429,667
6.01% note payable, due December 2024, repayable $88,025 monthly including principal and interest	9,430,747	9,911,621	10,364,848
5.54% note payable, due December 2024, repayable $7,969 monthly including principal and interest	876,144	922,404	966,205
4.00% note payable to Island Investment Development Inc., repaid during the prior year	-	-	857,629
	25,769,140	28,731,125	32,462,536

The 4.00% notes are payable to Island Investment Development Inc., a provincial Crown corporation. The repayment terms of these loans are to be determined at a future date.

The 6.62% Bank of Nova Scotia mortgage is secured by a full guarantee provided by the Province of Prince Edward Island.

The 6.01% and 5.54% notes payable are secured by a general security agreement covering certain property holdings.

All other notes payable are unsecured.

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	$
Year ending March 31, 2013	5,039,546
2014	3,196,036
2015	2,997,862
2016	1,150,956
2017	1,191,364

Interest paid by Innovation PEI and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest for 2012 in the amount of $1,063,026 (2011 - $1,228,105).

9 Net investment in leases

The net investment in lease represents the purchase option receivable from the lessee, due July 1, 2015.

The net investment in lease is recorded at the net present value of the total lease payments using a discount rate of 5.5%, calculated as follows:

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Total of lease payments to be received to July 1, 2015	1,000,030	1,000,030	1,000,030
Less: Portion representing interest at 5.5%	(172,000)	(172,000)	(215,000)
Net present value of net investment in lease	828,030	828,030	785,030

10 Deferred credits

	Cost $	Accumulated amortization $	March 31, 2012 Net $	March 31, 2011 Net $	April 1, 2010 Net $
F.T.C. Enterprises Limited					
Buildings	4,815,009	4,537,939	277,070	448,119	629,109
Pilot plant and laboratory equipment	1,572,333	1,572,333	-	-	-
	6,387,342	6,110,272	277,070	448,119	629,109
Environmental Industrial Services Inc.					
Waste water treatment facility	-	-	-	-	425,240
Atlantic Technology Centre Inc.					
Building	6,861,000	1,611,073	5,249,927	5,421,443	5,592,971
Furniture and fixtures	313,273	313,273	-	-	-
Computer hardware	1,424,927	1,424,927	-	-	-
Computer software	50,800	50,800	-	-	-
	8,650,000	3,400,073	5,249,927	5,421,443	5,592,971
P.E.I. Biocommons Inc.					
Land	1,807,113	-	1,807,113	2,375,000	2,375,000
Innovation PEI					
Industrial sites	8,715,906	8,008,641	707,265	750,994	798,393
	25,560,361	17,518,986	8,041,375	8,995,556	9,820,713

11 Contingent liabilities

The Corporation is contingently liable under loan guarantees at March 31 as follows:

	2012 $	2011 $
Loan guarantees	1,511,366	2,142,755

The Corporation is also contingently liable under entrepreneur loan program guarantees of $468,726 (2011 - $710,664) for which a provision for possible losses of $70,309 (2011 - $106,600) has been included in accounts payable and accrued liabilities.

The above guarantees have various expiry dates ranging from August 2013 to May 2023.

The guarantees are secured by various assets of the company being guaranteed and proceeds from liquidation are expected to cover the net carrying amount of the guarantees.

Related party amounts

Included in loan guarantees is a guarantee of a term loan in the amount of $1,468,717 (2011 - $1,593,721) provided to Slemon Park Corporation, which is a company with a portion of shares held by a wholly-owned subsidiary of Innovation PEI.

12 Commitments

a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

b) Loans approved by Innovation PEI but not disbursed at March 31, 2012 total $19,087,695 (2011 - $1,200,000).

c) The Corporation has committed to disbursing as development program expenditures $30,703,305 (2011 - $22,587,340) for labour rebate program assistance, $8,821,002 (2011 - $6,845,915) for enriched investment tax credits, $742,500 (2011 - $1,142,500) in industry chair program assistance, $416,891 (2011 - $668,193) for specialized labour rebates and $116,785 (2011 - $166,730) for share purchase tax credit over the next four years as companies meet the required requirements.

13 Related party transactions

Balance sheet

Accounts receivable

Included in accounts receivable is $294,497 (2011 - $299,194) due from the Province of Prince Edward Island and $255,435 (2011 - $715,747) due from related companies.

Property holdings

The Province of Prince Edward Island conveys land to the Corporation periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the Corporation is nil.

Accounts payable

Included in accounts payable and accrued liabilities is $72,920 (2011 - $76,045) payable to the Province of Prince Edward Island, and $1,345,193 (2011 - $187,250) due to related companies.

Advances from related company

Advances from related company are non-interest bearing and have no specific terms of repayment. The related company is Island Investment Development Inc., a provincial Crown corporation.

Deferred credits

The cumulative total received by PEI Biocommons Inc. from Innovation PEI to March 31, 2012 in grants to fund capital asset acquisitions was $2,375,000 (2011 - $2,375,000). These amounts have not been eliminated on consolidation.

The cumulative total received by Atlantic Technology Centre Inc. from Innovation PEI to March 31, 2012 in grants to fund capital asset acquisitions was $4,150,000 (2011 - $4,150,000). These grants are included in deferred credits. These amounts have not been eliminated on consolidation.

Contributed surplus

F.T.C. Enterprises Limited received a cumulative total of $366,039 in funds from the Province of Prince Edward Island through Innovation PEI that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Statement of operations

Property operations

Included in property operations revenue is $377,028 (2011 - $357,283) from related parties.

Management fees

During the year, management fees of $500,000 (2011 - $500,000) were received from Island Investment Development Inc. and recorded as a reduction in operating expenditures.

Interest expense

Included in expenditures is $435,283 (2011 - $537,565) in interest paid to the Province of Prince Edward Island.

Included in expenditures is $160,606 (2011 - $171,686) in interest paid to a provincial Crown corporation.

Grants to related companies

During the year, grants of $910,132 (2011 - nil) and $1,140,000 (2011 - nil) were expensed to Biocommons Development Inc. and Prince Edward Island Century 2000 Fund Inc., respectively.

Biocommons Developments Inc. is a non-profit company with a similar Board of Directors as P.E.I. Biocommons Inc.'s Board of Directors.

Prince Edward Island Century 2000 Fund Inc. is a subsidiary of a Crown corporation.

Other

The Corporation rents land for the annual amount of $2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

100417 P.E.I. Inc., a wholly-owned subsidiary of Innovation PEI, owns 56% of the common shares of Slemon Park Corporation.

14 Prior period adjustment

Prior to 2011, Atlantic Technology Centre Inc. had collected the first month's rental income from one of its tenants and it was not recognized as rental revenue when the tenant vacated. As a result, the April 1, 2011 opening accumulated surplus was increased by $17,790 and the 2011 comparative figure for revenue was decreased by $17,790.

15 Transfer of subsidiary

On September 14, 2009, Executive Council approved the transfer of Environmental Industrial Services Inc. (EISI), a subsidiary of Innovation PEI, to Island Waste Management Corporation (IWMC), a Crown agency of the Department of Transportation and Public Works.

On April 1, 2010, the net assets and liabilities transferred were as follows:

	$
Cash	84,209
Accounts receivable	122,185
Property and equipment	434,743
Accounts payable	(30,633)
Deferred credits	(425,240)
Advances from parent	(52,893)
Deferred contributions	(6,249)
Net assets transferred	126,122

Environmental Industrial Services Inc.'s shares were transferred to Island Waste Management Corporation for nil consideration.

16 Comparative figures

Certain 2011 comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Innovation PEI

Consolidated Schedule of Expenses by Type

For the year ended March 31, 2012

Schedule 1

2012

	Salaries Benefits $	Operating Goods & Services $	Programs & Grants $	Property Operations $	Lending Operations $	Interest Expense $	Amortization $	Total $
Expenses								
Operating	5,054,985	1,609,678	990,000	-	-	106,443	-	7,761,106
Property operations	861,370	1,154,740	-	1,211,845	-	798,960	-	4,026,915
Development programs	-	-	17,692,504	-	-	-	-	17,692,504
Allowance for (recovery of) credit losses and guarantee payments	-	-	-	-	(91,832)	-	-	(91,832)
Investment operations	-	(44,637)	-	-	-	816,417	-	771,780
Project costs	-	53,971	-	-	-	-	-	53,971
Grant to related companies	-	-	2,050,132	-	-	-	-	2,050,132
Amortization of property holdings	-	-	-	-	-	-	1,174,807	1,174,807
Amortization of deferred credits	-	-	-	-	-	-	(374,505)	(374,505)
	5,916,355	2,773,752	20,732,636	1,211,845	(91,832)	1,721,820	800,302	33,064,878

2011

	Salaries Benefits $	Operating Goods & Services $	Programs & Grants $	Property Operations $	Lending Operations $	Interest Expense $	Amortization $	Total $
Expenses								
Operating	4,384,893	1,346,860	-	-	-	110,235	-	5,841,988
Property operations	759,360	-	-	2,684,331	-	846,641	-	4,290,332
Development programs	-	-	20,903,151	-	-	-	-	20,903,151
Allowance for (recovery of) credit losses and guarantee payments	-	-	-	-	(365,592)	-	-	(365,592)
Investment operations	-	36,349	-	-	-	959,241	-	995,590
Project costs	-	49,906	-	-	-	-	-	49,906
Amortization of property holdings	-	-	-	-	-	-	1,263,688	1,263,688
Amortization of deferred credits	-	-	-	-	-	-	(489,724)	(489,724)
	5,144,253	1,433,115	20,903,151	2,684,331	(365,592)	1,916,117	773,964	32,489,339

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2012 **Schedule 2**

	Cost				Accumulated amortization			2012
	Beginning $	Additions $	Disposals/ Transfers $	Ending $	Beginning $	Amortization $	Ending $	Net book value $
General								
Land	981,500	-	-	981,500	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	44,765	-
Equipment	6,111,730	(11,790)	-	6,099,940	5,872,412	63,212	5,935,624	164,316
Buildings	6,118,615	-	-	6,118,615	4,894,266	162,719	5,056,985	1,061,630
	13,256,610	(11,790)	-	13,244,820	10,811,443	225,931	11,037,374	2,207,446
Property holdings held for resale								
Land	1,334,302	-	-	1,334,302	-	-	-	1,334,302
Buildings	1,500,000	-	-	1,500,000	320,580	105,000	425,580	1,074,420
	2,834,302	-	-	2,834,302	320,580	105,000	425,580	2,408,722
Industrial Sites								
Land	4,690,789	8,113	(575,998)	4,122,904	-	-	-	4,122,904
Land improvements	2,717,805	-	-	2,717,805	2,688,797	20,593	2,709,390	8,415
Leasehold improvements	-	166,702	-	166,702	-	5,835	5,835	160,867
Buildings	19,484,713	336,370	-	19,821,083	4,759,699	563,774	5,323,473	14,497,610
Equipment	6,957,871	41,355	-	6,999,226	6,957,871	6,824	6,964,695	34,531
	33,851,178	552,540	(575,998)	33,827,720	14,406,367	597,026	15,003,393	18,824,327
Test cell	4,937,000	-	-	4,937,000	2,071,707	246,850	2,318,557	2,618,443
	54,879,090	540,750	(575,998)	54,843,842	27,610,097	1,174,807	28,784,904	26,058,938

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2011

Schedule 2

	Cost				Accumulated amortization				2011
	Beginning $	Additions $	Disposals/ Transfers $	Ending $	Beginning $	Amortization $	Disposals $	Ending $	Net book value $
General									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	40,290	4,475	-	44,765	-
Equipment	6,021,924	89,806	-	6,111,730	5,697,772	174,640	-	5,872,412	239,318
Buildings	6,118,615	-	-	6,118,615	4,731,438	162,828	-	4,894,266	1,224,349
	13,166,804	89,806	-	13,256,610	10,469,500	341,943	-	10,811,443	2,445,167
Property holdings held for resale									
Land	1,334,302	-	-	1,334,302	-	-	-	-	1,334,302
Buildings	2,400,901	-	(900,901)	1,500,000	1,036,068	110,580	(826,068)	320,580	1,179,420
	3,735,203	-	(900,901)	2,834,302	1,036,068	110,580	(826,068)	320,580	2,513,722
Industrial Sites									
Land	4,740,789	-	(50,000)	4,690,789	-	-	-	-	4,690,789
Land improvements	2,717,805	-	-	2,717,805	2,668,193	20,604	-	2,688,797	29,008
Buildings	19,756,059	193,922	(465,268)	19,484,713	4,250,212	540,036	(30,549)	4,759,699	14,725,014
Equipment	6,957,871	-	-	6,957,871	6,954,196	3,675	-	6,957,871	-
	34,172,524	193,922	(515,268)	33,851,178	13,872,601	564,315	(30,549)	14,406,367	19,444,811
Test cell	4,937,000	-	-	4,937,000	1,824,857	246,850	-	2,071,707	2,865,293
	56,011,531	283,728	(1,416,169)	54,879,090	27,203,026	1,263,688	(856,617)	27,610,097	27,268,993

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS